

How to Determine Time

By Gene Allen

The cycle repeats itself each year, regardless of the size or complexity of the fleet being managed. The never-ending saga of which units to replace, which to fix up and keep a little longer, and of course that "lemon" the fleet manager can't wait to see make its departure from the property, and off his vehicle listings. This yearly saga always brings with it the painful and time-consuming process of analyzing the history of numerous vehicles, checking with subordinates to ascertain their individual needs and, last but not least, the trip or call to "Mr. Big" to see if you will even have the funding or the authorization to do your job, and replace or repair those assets.

More and more fleet managers are finding it very cost-effective to put a few dollars into a potentially replaceable vehicle and possibly reassign it to a lesser duty or just keep it around as a bail-out vehicle in case of emergencies or peak workloads.

With the increase of available information through the Internet and services offered by numerous vehicle fleet management services, as well as fuel card providers, today's fleet manager should be the best and most informed ever. Numerous printouts are available and can provide about as detailed a vehicle data as anyone could require, from as little as the number of gallons of fuel purchased to a total breakdown of maintenance expenses by category. More and more fleet managers are finding the computer and its capabilities, the best thing to come down the pike, since it makes their job not only easier, but far more time efficient and cost-effective.

In putting this article together, information was gathered from numerous individuals with various sizes and types of medium-duty trucks being used in vastly differing situations. The one thing that was glaringly apparent was that everyone had his or her own way of selecting and gathering data with which to make their educated vehicle replacement recommendations. There were also subtle differences in the way vehicles were considered as candidates for replacement. For the most part there was a definite gap in the cost-per-mile and per-vehicle data, but since each organization receives data at differing levels of completeness, variations in cost-per-mile was inevitable. However, fleet managers always find a way to do their jobs.



Bob Seele, a Utah state employee with the Fuel Network, checks a state underground fuel storage tank for quantity and quality.

Average Service Time of Medium-Duty Equipment?

Of those surveyed, the average time in service for Class 4 and 5 vehicles is five years or 60 months. Of course, this can be directly affected by the policies in place at any company, with regard to how long any given vehicle is to remain on the books for tax purposes and many other factors.

Margaret Chambers, deputy director with the State of Utah, says, "Due to the type of operations their vehicles are involved in, the gasoline or alternative-fueled vehicles are

Replacement

for Your Medium-Duty Truck

Determining operating cost and replacement intervals vary greatly from fleet to fleet, and all methods directly affect replacement criteria. Operating cost-per-mile, vehicle condition, and the budget get top consideration.

scheduled for replacement every six years and/or 90,000 miles, while those powered by diesel are scheduled for replacement every eight years and/or 110,000 miles." In this case, a state-run operation, meeting its job requirements allows stretching its replacement schedule out a little. "The replacement parameters were set based on experience with these vehicles, issues involving their salvage or resale value, and vehicle warranty and repair costs projected at the time of replacement," Chambers said. Chambers added, "A close watch on vehicle fuel consumption and miles-per-gallon also gives us a good indication of overall vehicle conditions."

State employees keep a close watch over fuel supplies and usage, and the tanks are monitored on a regular basis for fuel quantity and quality.

Another Cycling Approach, but With the Same Result

Tracy Fye, fleet coordinator for WESCO Distribution Inc., a Pittsburgh, PA-based electrical component distributor, says her Class 3-5 equipment is scheduled for replacement at approximately 60 months or 100,000 miles. Fye says, "We replace our Class 8 tractors using the same general guidelines. The larger equipment is turned over at 72

months or 300,000 miles." In addition to the criteria noted by Chambers of Salt Lake City, Fye notes, "The ability to ensure on-time delivery to the customer and the appearance of our equipment are factored into the equation for replacement."

Both of these organizations relate the importance of controlling maintenance cost and related downtime due to breakdowns as ranking high on their list of replacement consideration.

Mike Marsh, transportation manager of Mac Tools, of Columbus, OH, agrees that a five-year run life is about the max for a decent return on

the investment, when disposing of his vehicles. Mac Tools chose this parameter for gauging replacement time, from past history of vehicle life cycles and industry resale values. Marsh goes on to say, "The area the truck is used in, rural or metropolitan, and the related cost of maintaining a particular vehicle, could also be a determining factor in any given vehicle's replacement." Marsh added, "Many of our trucks are equipped with generators, heaters, and other unique equipment which turns that vehicle into a mobile showroom for the driver salesperson. As such, upkeep and wear-and-



John Kocinski, left, and Carmella Walsh of Sara Lee take delivery of a new route truck from Greg Herdzina, right, of Volvo-GMC of Chicago, IL.

tear on associated systems can accelerate the replacement cycle and distort the cost-per-mile computations. Our trucks are rolling billboards for us and appearance is also of very high priority."

Again, totally different types of operations with equally differing job requirements, yet their fleet personnel arrive at a very close common denominator for vehicle replacement.

Administrative Fleet Assistant Carmella Walsh of Sara Lee Coffee and Tea Foodservice in Bensenville,

IL, joins the group with a 72-month average replacement cycle for its coffee route delivery fleet. Walsh says, "It was an accounting department decision to use that figure for vehicle replacement, but that number was reached after analyzing cost-per-mile averages and reviewing the individual condition of each piece of equipment being considered as a candidate for replacement." Some units may require replacement or even reassignment to get the maximum lifecycle use out of each unit and still recoup the max at resale time.

John Kocinski, vice president of purchasing for Sara Lee, said, "Recent acquisitions of other coffee companies involved assuming their fleet vehicles, which were a broad array of sizes and types. This has really been a challenge to standardize the fleet and replace units that are not cost-effective. Needless to say, this in some cases entailed running some units a little longer than we wanted to and, on the other hand, replacing some that weren't old enough, but weren't cost-effective for one reason or another."

Another Municipality with Special Equipment Considerations

Bob Oliphant, fleet manager for the Indianapolis Water Company, in Indianapolis, IN, faces many of the same considerations as Joe Gorski of the City Utilities of Springfield, MO. Determining a replacement lifecycle is very difficult for the same reasons previously listed for utility-type vehicles. Oliphant replaces the vehicles in his charge based on a total analysis of age, years in service, and hours of operation. The format for replacement is a management decision based on previous vehicle history. As in Gorski's situation, many vehicles accumulate far more engine hours than miles during their lifecycle, due to stationary running to support field personnel.

As mentioned earlier, any utility or commercial fleet manager will be hard pressed to compute a cost-per-mile, as they have so many vehicles that spend a large part of their lifecycle, sitting at job sites with their engines running power take-off units or generators to provide auxiliary power for job-site operations. The formula devised by Gorski may be adaptable to other like entities, as an answer to computing replacement cycle data.



One of Indianapolis Water Company's pieces of specialized equipment. The unique work requirements make vehicle replacement analysis more important.

There are no set ways to compute your cost-per-mile. Some companies have computer programs in place that provide much needed data, from maintenance cost-per-mile to information relating to the interest rates and time left on the books to maturity. Others rely on the information provided by fleet management companies or at the very least from fuel purchase reports provided by a fuel management service. Whatever your method of tracking cost, it needs to be applicable to all your vehicles.

Each of the methods described is good in its own right, and in one way or another it will provide a figure to use as an index. The examples discussed produced an average operating cost-per-mile ranging from 35 cents-per-mile to 60 cents per-mile, so it's evident that it would be hard for anyone to tell exactly what their cost per-mile is without knowing exactly what parameters they used in the computation.

If you add the maintenance, fuel, and tire costs over a given time, and divide that by the miles driven during that time, you would have a rough running cost-per-mile. Of course, that would not reflect the original cost of the vehicle, recouped monies at time of sale, and administrative costs. You can go as far as including wages, taxes, registration fees and insurance. Realistically speaking, you can get as exotic as you want, or keep it simple.

Acquisitions of Other Companies Present Special Problems

The people at Sara Lee have taken a no-nonsense approach and cut out a lot of red tape. Walsh says, "The basic decision to replace is based on vehicle condition. The regional manager, vehicle manufacturer, and I get together and review the requirements, equipment available, and schedule of deliveries. Then the vehicle specifications are agreed upon and orders are placed." Sara Lee leases its vehicles.

Vehicles are not ordered in a lump sum, but as needed, and with as much forethought as possible, to preclude having to purchase from out-of-dealer stock.

"Trying to stay standardized has been quite a chore for Sara Lee with all its recent acquisitions, but with continued proper and timely vehicle replacement, there will be a day of standardization," Walsh says. "Quality, price and service are prerequisites for doing business with us."

In addition to tracking mileage and cost-per-mile data, the standardization of equipment, timely ordering, and taking advantage of all available incentives can make a fleet manager's job a lot easier.

Sara Lee's agreement with its fleet management company is a straight vehicle lease without maintenance.

Gorski uses his six years of experience on the job in Springfield, MO, to bring all parties together to ensure that all the vehicles required are ordered, and that those units are the right ones. "I always meet with the managers of the departments we



"Specialized equipment such as this requires extra maintenance. Having your own maintenance assures that," says Joe Gorski, director of fleet management for the City Utilities of Springfield, MO.

serve, to reach a balance of what we see as their need and investigate their opinion of what they want," Gorski added that all orders are placed with input from his customers, and all vehicles are ordered on an as-needed basis and not lumped together.

Gorski feels he's best served by a straight vehicle purchase with no ties to any maintenance programs. This stems in a large part from the diversity in operational requirements the fleet faces and the somewhat unpredictable mileage/hours combination presented by that usage. In-house maintenance more readily adapts to the irregular use patterns for the city's vehicles.

Oliphant of Indianapolis Water says, "We purchase our Class 3-5 vehicles on a buy/sell basis and order them on an as-needed basis. Our fleet is small enough we can track our vehicles' condition more closely than large fleets and tailor our ordering to fit the need."

"We really have no exact cost-per-mile figures at this time since we currently don't have a program in place to capture the necessary data," said Oliphant.

"We do have a fuel monitoring and management program in place that some data can be gleaned from, such

as total miles, hours of service and miles-per-gallon," added Oliphant. **AF**

How do You Determine When it's Time to Replace Your Medium-Duty Truck?

After several lengthy interviews it is very clear there is no firm, "cast in stone" method of determining when is the right time. Of the fleet managers consulted, all had their own special way of making that determination; however, there were several common denominators:

- Is the vehicle off the books as far as depreciation?
- Is the funding and authorization available?
- Has the vehicle reached replacement parameters? (Consider special equipment.)
- Considering fuel, maintenance, and tires only, is this vehicle costing you more than your average vehicle per-mile to operate?
- Were the answers yes? Perhaps it's time to order.